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FISCAL IMPACT STATEMENT

LS 7245

BILL NUMBER: SB 564

NOTE PREPARED: Apr 23, 2013

BILL AMENDED: Feb 21, 2013

SUBJECT: Veterans Preference on State Contracts.

FIRST AUTHOR: Sen. Delph

FIRST SPONSOR: Rep. Baird

BILL STATUS: Enrolled

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

- (1) Provides that an Indiana veteran-owned small business (VOSB) is eligible for the small business set aside procurement policy for state procurements and for procurements by political subdivisions that have adopted the set-aside policy.
- (2) Provides that the 15% price preference for small businesses applies to Indiana VOSBs.
- (3) Requires the Indiana Department of Administration (IDOA) to adopt rules to increase contracting opportunities for Indiana VOSBs with a goal to procure in each state fiscal year at least 3% of state contracts with Indiana VOSBs.
- (4) Provides that the Indiana Economic Development Corporation (IEDC) may assist the IDOA:
 - (A) compiling and maintaining a list of Indiana VOSBs;
 - (B) assisting Indiana VOSBs to comply with procedures for bidding on state contracts;
 - (C) helping determine which purchases of supplies or services are consistent with the state's VOSB procurement goal; and
 - (D) simplifying specifications and contract terms to increase opportunities for Indiana VOSB participation in state contracts.
- (5) Provides for the development of programs to encourage cities, counties, towns, townships, and private businesses to adopt the state's VOSB procurement goal.
- (6) Requires the IDOA to report on the percentage of state contracts with Indiana VOSBs.

Effective Date: July 1, 2013.

Explanation of State Expenditures: Summary: This bill could result in increased state contracting costs. Any impact on state contracting costs is indeterminable.

Additionally, this bill could impact the workload of the Indiana Department of Administration (IDOA) and the Indiana Economic Development Corporation (IEDC). Increases in workload for the IDOA and the IEDC could require additional staffing and resources, depending on how the provisions are implemented.

Additional Information:

(Revised) *Indiana Department of Administration:* Under the bill, the IDOA is required to set a goal of procuring at least 3% of state contracts with veteran-owned small businesses (VOSB) and to develop procurement policies and procedures to accomplish this goal. As a result of this bill, the potential exists for the IDOA to select a higher bid submitted by a VOSB that is higher than an otherwise lowest competitive bid. Any increase in state expenditures is indeterminable.

Additionally, starting in 2014, the IDOA is to annually report to the Governor, Legislative Council, Indiana Department of Veterans' Affairs, and the Commission on Military and Veterans' Affairs specified information on the VOSB set-aside program.

These provisions are within the current routine administrative functions of the IDOA; however, the bill presents new responsibilities that must be performed in addition to currently existing workload. The IDOA reports this bill will require a modification to the state's Enterprise system to identify VOSBs that submit requests for proposals (RFPs) on state contracts. If existing staffing and resource levels are currently being used to capacity, the IDOA may require additional funding and resources to implement the bill. Any additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

(Revised) *Indiana Economic Development Corporation:* The bill also allows the IEDC to assist state agencies by doing any of the following:

- (1) Compiling and maintaining a comprehensive list of VOSBs,
- (2) Assisting VOSBs in complying with the procedures for bidding on government contracts,
- (3) Examining requests from state agencies for contracted services and supplies to determine which purchases would be designated VOSB set-asides, and
- (4) Simplifying expectations and contract terms to increase opportunities for VOSBs to participate in the RFP process.

Additionally, the bill allows the IEDC to work in conjunction with the IDOA to develop programs to encourage local government entities and private businesses to adopt goals of contracting with VOSBs.

Although the bill allows the IEDC to perform these functions (and does not require them), to the extent the IEDC assists state agencies with contracting with VOSB set-asides, they will experience an increase in administrative workload and may require additional resources. Actual increases in workload will depend on the decision of the IEDC on how to assist the IDOA.

Background Information: Although the number of VOSBs in the state is unknown, the Indiana Business Research Center reports that in 2007 there were approximately 46,800 veteran-owned businesses and an additional 24,200 partially veteran-owned businesses in the state. The Indiana Business Research Center also reports that 27.2% of Indiana veterans have some type of disability (although it is unknown if these disabilities are service-related or not). This would imply approximately 19,300 veteran-owned and partially veteran-owned businesses may be eligible to submit RFPs under the set-aside program. This figure does not account for (1) service-connected disability and (2) veteran majority ownership of the business.

Explanation of State Revenues:

Explanation of Local Expenditures: This bill could result in increased contracting costs for local governments to the extent local governments implement contracting preference programs for VOSBs with assistance from the IEDC. Actual increases in local expenditures are indeterminable.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Local government units that work with the IEDC to implement contracting preference program for VOSBs.

Information Sources: Connie Smith, IDOA; Eric Shields, IEDC; Indiana Business Research Center at Indiana University Kelley School of Business.

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